# Opportunity Profit – A New Socio-Economic Proposition and Construct

*Anil Mehta*[1]

*Rhythm Mukherjee*[2]

## Abstract

Any form of investment, that leads to productivity, has an opportunity cost. It is an implicit cost but has been proved to be a very important aspect of economic equilibrium. This paper puts forward, a completely new construct called the Opportunity Profit or Negative Opportunity cost; combining vast researches on Power-Distance-Belief, Altruism, Work-leisure balance, Rationality and briefly the concept of Welfare Economics. This new construct will open up a vast spectrum of further economic and sociology researches and hence, can provide fresh and deep insights into Socio-economic activities.

***Keywords:*** *Opportunity Cost, PDB, Altruism, Work-Leisure Balance, Rationality, Welfare Economics*

## Introduction

The concept of Opportunity cost is well-understood by all academicians/students of economics, finance or even social science in general. There always exist many alternatives for investments; each giving a different return. A rational entity (individual or institution), always invests in that alternative, which is supposed to fetch the highest return. That return, is the opportunity cost because, it takes away the possible opportunity of earning from the other alternatives. Now, this investment may not be directly related to money. It can also be investment of time. The time invested, eventually gets converted to money and it becomes a similar economic parameter of productivity (Blackwood et al 2021). If observed carefully, in most of the cases, it happens to be the investment of time only. Be it working as a wage-earner or being a lecturer in an academic institution. This investment of time ultimately produces something – product, service, or concept; which is an addition to the GDP or National Income at large. But even though, this is quite obvious, this concept must be kept in mind, as the paper progresses towards its ultimate proposition – Opportunity Profit.

The organization of the paper is as follows. First, the paper assumes that the behavior of any entity is absolutely rational in terms of return. That means, the entity knows the return against each alternative and chooses the best out of them. This needs no citations because; this is the fundamental assumption behind any economic theory. There are several literatures to oppose this assumption, but that is not the motive of the paper. So after assuming people behave rationally, the paper takes up each of the extremely important concepts like, Power-Distance-Belief (its acceptance or non-acceptance by that rational entity), Altruism and Welfare Economics (defined through their vast literature) and a very interesting and apparently far-away concept of work-leisure balance in life (proved to be the most important element that designs the proposed construct). Then it combines all the above concepts and literatures, to develop the proposition. Then the scope of the construct is identified by elaborating the assumptions. And finally, a brief micro and macro-economic link is showcased and future scope is elaborated.

## Literature Review

From the angle of visualization of PDB, entities can be categorized as one, who perceives social hierarchy and inequality to be rational and justified for a smooth functioning of the economy; and the other, who thinks the more even the distribution is, the more welfare exists in the nation (Banerjee and Mukherjee 2017). However, the concept of Power-Distance Belief was first proposed by Hofstede (2011). Power inequalities accepting and power inequality existing are two different things. PDB is not a study of the inequality existing in the nation. It studies whether entities accept the distance or not (Oyserman, 2006). To be more

[1] Research Associate, School of Management, University of Engineering and Management Jaipur
[2] Professor & Head, Department of Business Administration University of Rajasthan, Jaipur

precise, 'Power' is the level of control one possesses over others. Whereas, PDB assumes there exists a difference in distribution of Power but also how much one accepts the difference, i.e. the High-power/Low-power distance (Keltner et al 2003; Rucker et al 2012; Gao et al 2018). Each of the above studies provide a separate viewpoint towards PDB, but the relevant point for the current paper is that, entities with higher acceptance are more likely to be charitable and donate (Abele and Wojciszke 2007). This mindset is directly linked to whether the entity under observation, is more other-focused - selfless or more self-focused - selfish. The logic is pretty simple. The lesser is the acceptance of PDB, the lesser one perceives threat from the others (Banerjee and Mukherjee 2020). However, it is also proven that, merely accepting PDB, does not make a person's behavior self-less. This will be discussed in details in the literature of altruistic behavior.

The concluding remark on PDB directly links the paper to Altruism and Altruistic behavior. The literature on altruism is so vast that it can easily become a paper in itself. But this paper will propose the concept of Opportunity Profit; and for that some concepts needs to be linked. So a small literature review is put forward that will connect altruistic behavior to the economy. Altruism is basically, self-less behavior as against selfishness. The study dates back to the evolution of mankind. Experimental evidences have revealed that altruism is a powerful force not only amongst humans but also amongst animals (Fehr & Fischbacher, 2003). The interaction between the two extreme poles: altruism and selfishness, is significant in developing human cooperation. That means, a few altruists can make majority of selfish people to cooperate, and vice versa (Hill, 2002). This equally implies to any socio-economic institution and also the Government at large. However, from this evolutionary research, two conflicting branches of research got developed over time – the psychological perspective and the biological or genetic perspective [Putting the altruism back into altruism: the evolution of empathy, FBM De Waal - Annu. Rev. Psychol., 2008 ]. Quite interestingly, the terms "selfish" and "altruistic" conflicts as per dictionary meaning too (Sober & Wilson 1998).

So, where exactly does the conflict lie? Whether someone behaves altruistically, against some personal gain (cash or kind) or purely because of empathy (Trivers, 2002). This is a perfect debate and needs to be analyzed at an extremely micro level to get some results. Again, this is an extremely important concept to develop the proposal of opportunity profit. It needs to be assumed that the altruism is purely based on empathy. Later on the assumption will be validated. And finally (Simon, 1993), altruism was directly linked to the economy. In the foresaid paper, it is already established that economic productivity extended from altruism is always governed by 'Bounded Irrationality', and also the fact that micro behaviors of altruism affects the economy at large. But as said before, the paper shall continue to assume Rationality.

The next literature that needs to be perused a little is on work-leisure concept of human life. This is the most important aspect on which the construct lies. As per Webster dictionary, work is an activity that in turn gives money (wages or salary) and leisure means the pure concept of rest. The basic connection of work-leisure to the economy has been vastly researched upon and contradictions and criticisms went on parallelly. This had to happen because of the influence of economics, history and technology ().

## The Concept

In this section, first of all, the relevant literature studies are combined and then the concept of Opportunity profit is developed. In the next section, a formal construct is proposed. To begin with, the construct assumes that an entity accepts the Power-Distance, and hence is more charitable. Charity makes money flow; and hence, supports equilibrium. Next, this concept of charity or the 'other-focused behavior' is what is called Altruism. It is seen in the previous section that Altruism can be purely selfless or it can also have implicit motive of personal benefit. It was stated then, that pure selflessness or empathy, will be assumed for this paper. Next, the concept of work-leisure was discussed. After vivid literature review, the point was narrowed down to the fact that, (under perfect rationality and perfect empathy) – altruistic behavior can only take place in the leisure period of 'work leisure' balance.

## Combining the Literature

Now, opportunity cost – as defined in the first few lines of the paper – can be related to investment of time; not always money (Blackwood et al 2012). The paper proceeds with this dimension. Now, where from is this time coming? As already answered before; it is from the leisure segment of life. Why? The simple answer is, if the time is invested from the 'work' segment, it eventually becomes a productive element for the economy (at the macro level) and for the individual (at the micro level). There will exist alternatives for investment, each alternative will have a return and investment of time (that will eventually get converted to money) against the highest return will be the 'opportunity cost'

Now, the leisure part of life, is not supposed to give an individual any return. If it gives return, it falls in the work segment of life. Be it playing tennis, watching a movie, developing a gaming software (just as a passion), or just relaxing; the individual is not supposed to expect any return out of it. It is quite possible, that the economy gets benefited (at the macro level), but the individual will not; simply because, his leisure time is (strictly) not meant for investment against any form of productivity. If work and leisure time gets intermingled, the whole literature, along with all criticisms and extensions, will fall flat.

Let's take an example, a person playing tennis during his leisure hours, may need to pay a club-membership fee. That is an investment. He could have invested that time for any other purpose. All would have given him back a return. The one with the highest return would have been the opportunity cost. But here, there is no concept of return that he perceives. So there is no concept of rational investment leading to maximum return; and hence, there is no concept of opportunity cost (sacrificing other alternatives). And exactly here comes the concept of 'Opportunity Profit' or 'Negative Opportunity Cost'. Opportunity Profit is a concept opposite to Opportunity Cost. Still one question remains unanswered. The next section – 'The Construct', will begin by answering that question.

## The Construct

If the previous section is clear, this section remains just a formality. However, one question remains. If the person is investing time having no opportunity cost, ideally the opportunity cost will be zero! Where from is the concept of 'Opportunity Profit' coming? The answer is simple, but requires a deep involvement. Look, a person is investing time from his leisure period and hence, he is not expecting any return. But that does not necessarily mean, he is not getting any return. A slight touch on this was conceived through the concept of forgone benefits on investment (Vanessa et al., 2010) but here the construct is totally different.

So as mentioned, the time invested during the leisure hours may not be for any return, but the investment is not prohibited to give returns as well. In other words, whether the entity expects return on the time he has invested or not; if the investment is productive to the economy, it will definitely give him, his portion of return; because, an entity (individual or institution) is a micro-element of the macro-system. So the return the individual is getting is ultimately going to connect him to the Opportunity Profit he is receiving.

## Opportunity Profit (OP)

OP is defined as the all-possible returns on time-investment, subtracted from the Maximum Return on Perfect-Leisure-Time investment.

$$\boldsymbol{OP = Max\ (I_n)} - \sum_{i=1}^{n} I_i,$$

where I stands for Time-invested and 'n' stands for the possible opportunities of Investment.

As discussed before, Perfect-Leisure-Time indicates, the time where one is not allowed to work for any return. The above definition will be clear with the following assumptions.

### *Assumptions*

The agents are perfectly rational about the choice of alternative investments

The agents know about all possible investment options

The investments are restricted to time alone

The agents are completely empathetic in terms of altruistic behavior; i.e. they have no motive of personal gain

The work and leisure times are categorically separated, and

The agent cannot work for any form of return during the leisure period

With these assumptions in place, the construct is ready to use at the micro and macro level as a socio-economic concept. This should be empirically validated against different cultural settings too.

## References

Abele, A. E., & Wojciszke, B. (2007). Agency and communion from the perspective of self versus others. Journal of personality and social psychology, 93(5), 751.

Banerjee, S., & Mukherjee, W. (2017). Propositions on Transitory Income with Relation to Consumption and Savings Propensity. International Journal of Engineering and Management Research (IJEMR), 7(4), 98-102.

Blackwood, G. J., Foster, L. S., Grim, C. A., Haltiwanger, J., & Wolf, Z. (2021). Macro and micro dynamics of productivity: From devilish details to insights. American Economic Journal: Macroeconomics, 13(3), 142-172.

Fehr, E., Fischbacher, U. The nature of human altruism. Nature 425, 785–791 (2003)

Gao, B., Li, X., Liu, S., & Fang, D. (2018). How power distance affects online hotel ratings: The positive moderating roles of hotel chain and reviewers' travel experience. Tourism management, 65, 176-186.

Hill, K. Altruistic cooperation during foraging by the Ache, and the evolved human predisposition to cooperate. Hum. Nat. 13, 105–128 (2002)

Hofstede, G. (2011). Dimensionalizing cultures: The Hofstede model in context. Online readings in psychology and culture, 2(1), 8.

Keltner, D., Gruenfeld, D. H., & Anderson, C. (2003). Power, approach, and inhibition. Psychological review, 110(2), 265.

O'Brien G.E. (1988) Work and Leisure. In: van Raaij W.F., van Veldhoven G.M., Wärneryd KE. (eds) Handbook of Economic Psychology. Springer

Oyserman, D. (2006). High power, low power, and equality: Culture beyond individualism and collectivism. Journal of Consumer Psychology, 16(4), 352-356.

Rucker, D. D., Galinsky, A. D., & Dubois, D. (2012). Power and consumer behavior: How power shapes who and what consumers value. Journal of Consumer Psychology, 22(3), 352-368.

Simon, H. (1993). Altruism and Economics. The American Economic Review, 83(2), 156-161

Sober, E., & Wilson, D. S. (1998). Unto others. Cambridge/Mass.

Trivers RL. 2002. Natural Selection and Social Theory. Oxford, UK: Oxford Univ. Press

Vanessa M. Adams, Robert L. Pressey, Robin Naidoo, Opportunity costs: Who really pays for conservation?, Biological Conservation, Volume 143, Issue 2, 2010, Pages 439-448